

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

No. MDL 06-1761 JSW (EDL)

IN RE: DITROPAN XL ANTITRUST
LITIGATION

ORDER DENYING MOTION TO COMPEL

This Document Relates to
All Actions

Indirect Purchaser Plaintiffs' motion to compel came on for hearing before this Court on October 23, 2007. Having read the papers filed in conjunction with the motion and carefully considered the arguments and the relevant legal authority, the court hereby DENIES the motion WITHOUT PREJUDICE .

I. BACKGROUND

In this California Business and Professions Code § 17200 and antitrust action, indirect purchaser plaintiffs ("Plaintiffs") seek damages arising from actions taken by defendant Alza Corporation ("Alza") related to its brand name drug, Ditropan XL, and U.S. Patent No. 6,124,355 ("the '355 patent"). Plaintiffs contend that Alza filed patent infringement lawsuits against generic drug companies attempting to enter the market monopolized by Ditropan for the anticompetitive and fraudulent purpose of extending its patent protected monopoly on a formulation that could not have been granted patent protection absent fraud on the Patent and Trademark Office ("PTO"). Plaintiffs allege that Alza's actions kept a generic drug manufacturer, Mylan Corporation ("Mylan"), off market for over a year before a District Court invalidated the '355 patent, causing hundreds of millions dollars of injury to the putative plaintiff class.

Plaintiffs now request that Alza produce to the court for an in camera inspection the 112 documents Alza withheld as privileged in the underlying litigation that led the District Court in West Virginia to invalidate the '355 patent in Alza Corp. v. Mylan Pharm., 388 F. Supp. 2d 717 (W. Va. 2005), aff'd 464 F.3d 1286 (Fed. Cir. 2006). Alza listed these documents on a lengthy privilege log in that case. Plaintiffs contend that these documents are at least in part responsive to their discovery requests for documents. Alza has asserted work product and attorney client privilege as the bases for withholding the documents from plaintiffs.

II. DISCUSSION

A. Legal Standard

The evidentiary showing necessary to trigger in camera review "need not be a stringent one." United States v. Zolin, 491 U.S. 554, 572 (1989). First, the court must "require a showing of a factual basis adequate to support a good faith belief by a reasonable person . . . that in camera review . . . may reveal evidence to establish the claim that the crime-fraud exception applies." Id. Second, the court must make a discretionary decision whether to order review in light of the facts and circumstances in a particular case, including the volume of materials to be reviewed, the relative importance to the case of the alleged privileged information, and the likelihood that the evidence produced with other available evidence will establish that the exception applies. Id. See also In re Grand Jury Subpoena 92-1 (SJ), 31 F.3d 826, 829 (9th Cir. 1994).

The first prong of the test must be met by the party seeking to pierce the privilege before the court can get to the second step and exercise its discretion. A party's burden for establishing the necessity of in camera review is considerably lower than that for outright disclosure. In re Napster Copyright Litig., 479 F.3d 1078, 1092 (9th Cir. 2007). However, mere allegations or suspicion are insufficient to invoke the exception. In re Heritage Bond Litig., Case No. CV 20-1475-DT, 2004 WL 1970058 at *4 (C.D. Cal. July 23, 2004) (citation omitted).

In evaluating the second prong, the court must exercise its discretion in light of the facts and circumstances of the particular case, including the likelihood that the evidence produced by in camera review together with other evidence before the court will establish that the crime fraud exception applies. Zolin, 491 U.S. at 572. Nothing forbids the district court from considering countervailing evidence in evaluating this second prong. Napster, 479 F.3d at 1092. While the test

1 for obtaining in camera review is more lenient than the test for obtaining outright disclosure of
 2 documents, in camera review is not a “panacea,” for a “blanket rule allowing in camera review . . .
 3 would place the policy of protecting open and legitimate disclosure between attorneys and clients at
 4 undue risk” and would raise “possible due process implications” and place “significant burdens upon
 5 the district courts. *Id.* at 1096 (quoting *Zolin*, 491 U.S. at 571).

6 **B. Plaintiffs’ Motion to Compel**

7 Here, Plaintiffs have articulated two types of fraud allegedly committed by Alza: (1) sham
 8 litigation; and (2) fraud upon the PTO.¹ As to the first, Plaintiffs have made no showing that Alza’s
 9 suit against Mylan was objectively baseless. In Alza’s suit against Mylan, the District Court
 10 explicitly found that the case was not frivolous. In denying Mylan’s request for attorneys’ fees, the
 11 Judge noted that Mylan failed to establish by clear and convincing evidence that Alza’s infringement
 12 suit was vexatious, frivolous, or in bad faith: “Mylan . . . failed to put forth evidence to establish
 13 that Alza knew, or on reasonable investigation, should have known its lawsuit was baseless.” *See*
 14 Order Denying Mylan’s Motion for Attorneys’ Fees and Expenses at 9 in *Alza Corp. v. Mylan Labs,*
 15 Inc., Case No. 1:03CV0061 (N.D. W. Va. Oct. 31, 2006) at Drake Decl., Ex. 1 (“Attorneys’ Fees
 16 Order”). In light of the previous findings by the District Court, and in light of the absence of any
 17 contrary evidence submitted by Plaintiffs, Plaintiffs have failed to set forth an adequate factual basis
 18 to support a good faith belief by a reasonable person that in camera review may reveal evidence to
 19 establish that Alza was engaging in fraudulent sham litigation or was planning fraudulent sham
 20 litigation when it sought the advice of counsel to further that scheme.

21 As for fraud upon the PTO, Plaintiffs argue that they meet the standard for in camera review
 22 because Alza and its attorneys: (1) falsely represented in its December 2, 1999 amendment to their
 23 PTO application that Ditropan XL had starkly different rates than the Baichwal Patent No. 5,399,359
 24 (“Baichwal”); (2) failed to disclose the different test conditions between Ditropan and Baichwal to
 25 lead the PTO to accept Alza’s representations that they had different release rates; (3) failed to
 26 inform the PTO of a drug called Cystrin CR; (4) failed to disclose the Morella Patent No. 5,330,766
 27 (“Morella”) which was essentially identical to the claims of the ‘355 patent; (5) failed to disclose
 28

¹ While Plaintiffs argued that they may pursue other theories of fraud, they have not articulated any such theories at this time.

1 the “1996 WO publication” to the PTO; (6) failed to disclose the Wong Patent No. 5,082,688
2 (“Wong”) and (7) failed to disclose the true inventors of the ‘355 patent to take advantage of an
3 earlier priority date.

4 Briefly, Plaintiffs do not cite any evidence that Alza failed to disclose or misrepresented
5 anything regarding Baichwal. To the contrary, Alza disclosed the Baichwal patent and its testing
6 procedures to the PTO. Plaintiffs put forward no evidence showing that Alza knew or should have
7 known at the relevant time of Crystrin CR. As for the anticipatory Morella reference, while the
8 District Court found that Morella anticipated the ‘355 patent, Plaintiffs did not provide any evidence
9 as to why this indicates any material misrepresentation or deliberate omission by Alza to the PTO.
10 Alza, 388 F. Supp. 2d at 734. While Plaintiffs claimed that the Morella reference was widely
11 known, they did not offer any evidence in support of this contention in their papers, and the Court
12 allowed the parties to provide supplemental briefing on this issue. But Plaintiffs provided no
13 affidavits or declarations on this point and offered no texts or journal articles referencing Morella.
14 The sole support that Plaintiffs offered was that Morella was cited during the prosecution of 47
15 patent applications, but only six of these citations occurred before the ‘355 patent was filed.
16 Plaintiffs provided no evidence that the relevant people at Alza likely knew of Morella before the
17 ‘355 patent was filed. Simply put, there is no evidence indicating that Alza committed fraud by
18 failing to disclose Morella. As for the 1996 WO publication, Alza submitted evidence that the
19 patent examiner considered this reference, and the District Court found that there was no inherent
20 anticipation by that publication. Alza, 388 F. Supp. 2d at 730 (holding Mylan did not meet its
21 burden of proving that ‘355 patent is inherently anticipated by the 1996 WO publication). Regarding
22 the Wong patent, Alza disclosed the Wong ‘337 patent which contains nearly the identical
23 specification and disclosure as the Wong ‘668 patent, which plaintiffs assert Alza intentionally
24 withheld. As for Alza’s alleged failure to name the true inventors of the ‘355 patent, Plaintiffs did
25 not submit any evidence in support of this theory, and Mylan failed to prove that Alza did not name
26 the true inventors in the underlying litigation. Id. at 732.

27 In sum, Plaintiffs have submitted practically no evidence in support of its motion in spite of
28 the fact that Alza has already produced over 800,000 pages of documents to Plaintiffs, including

1 documents related to its research and development of Ditropan and its application submitted to the
2 FDA, as well as documents produced in the Mylan litigation. Discovery is still underway in this
3 case. Should Plaintiffs uncover additional facts in the course of discovery that they believe in good
4 faith truly justifies a further request for in camera review, they may renew their request.

5 Accordingly, Plaintiff's motion to compel is DENIED WITHOUT PREJUDICE.

6 Dated: November 5, 2007

Elizabeth D. Laporte

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8 ELIZABETH D. LAPORTE
United States Magistrate Judge
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